

Global Economic Commentary

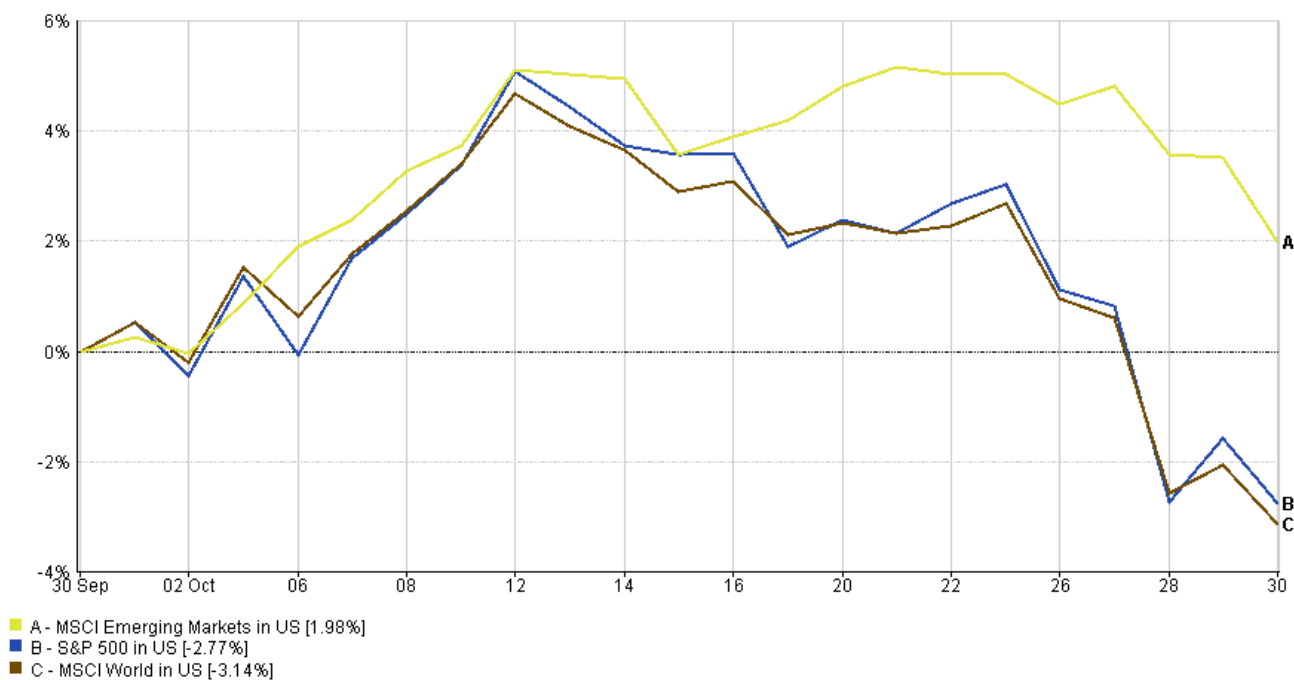
China–United States relationship and 2019-nCov will affect global economic growth



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2020 year is an era of economic turmoil

Global equities markets moved with similar patterns in October as world investors were waiting for the U.S. presidential election held on 3 November. Both MSCI World Index and MSCI Emerging Markets Index surged around 5% during 1st October to 12th October. The world equities markets then retreated in the second half of October where MSCI World Index and MSCI Emerging Markets Index were downed 7.47% and 2.96% respectively. Although both developed and emerging markets always moved in the same directions in October, their performances were very different. MSCI World Index slid 3.14% while MSCI Emerging Markets Index gained 1.98% in October.



30/09/2020 - 30/10/2020 Data from FE fundinfo 2020

Performances of main indices in October

In October, the performance of MSCI World Index was very much affected by S&P 500 Index, which was sensitive to expectations of the U.S. presidential election. The two indices almost performed identically throughout October. When the uncertainty of the U.S. presidential election increased during the second half of October, both indices plunged. The correlation between S&P 500 Index and MSCI World Index might keep at a relatively high level as investors' focus remains at the result of the U.S. presidential election.

However, emerging markets were much less affected by the political event and ended the month with a positive return. For the purpose of diversification, it is recommended to increase holdings in emerging market equities. Indeed, veteran investor Mark Mobius thinks a Joe Biden presidency will be negative for equities in the U.S. and positive for other markets given his plans to hike taxes on companies and wealthy Americans. Another focus of emerging markets is China. Donald Trump says "If Biden wins, China wins". His statement may be true because experts predict moderate and mature foreign policies under Biden will lead to adjustment on U.S.' China policy. However, there should be no significant change in overall containment of China. Anyway, China's tech stocks might benefit from more predictable policies under Biden and hence fuel the overall China stock market. In addition, Biden may have friendlier trade policy on global emerging markets. This might be good news for emerging markets' currencies.

Chart of the Month: MSCI World Index



10-day MA	2379.98
20-day MA	2407.11
50-day MA	2397.26
250-day MA	2241.98

Comment:
The MSCI World Index is expected to be adjected because of 2019-nCov effect.

Global Market Performance

Index (USD)	Closed at 30/10/2020	MTD Change (%)	YTD Change (%)	Current PE ratio	Estimated PE ratio	Dividend Yield
DJIA	26,501.60	-4.73	-7.14	21.74	21.95	2.33
S&P 500	3,269.96	-3.28	1.21	25.25	23.78	1.84
Nasdaq	10,911.59	-3.66	21.61	68.26	35.59	0.87
FTSE 100	7,218.10	-4.79	-27.84	436.91	18.20	4.07
DAX	13,458.68	-9.99	-9.39	38.68	17.21	3.16
CAC	5,350.45	-5.57	-20.29	47.40	20.28	2.40
Nikkei 225	219.54	-0.05	1.05	38.82	23.06	1.78
HSI	3,109.03	2.71	-14.09	13.03	12.71	3.12
SHCOMP	481.83	1.68	10.00	16.68	14.45	2.22
ASX	4,304.90	-1.28	-9.90	38.74	21.13	3.44
TWI	438.94	1.77	9.44	19.73	17.95	3.33
KOSPI	1.99	0.02	4.87	26.42	16.48	1.92
SET	23.94	-4.15	-32.89	19.42	21.28	3.30
SENSEX	531.11	0.51	-8.30	27.48	24.93	1.08
Russia RTS	1,066.60	-9.19	-31.14	8.97	9.93	7.08
Mexico IPC	1,739.57	4.04	-24.57	32.25	18.39	2.07
Bovespa	16,343.81	-3.44	-43.25	75.58	39.20	3.18
Median		(3.28)	(9.39)	27.48	20.28	2.40

Market Data

Commodities (USD)

Price as at 30/10/2020

Crude Oil	35.79
Gold 100oz	1,879.90

Source: Bloomberg

Date Time	Country	Event	Event Time	Survey	Prior
11/2/2020	China	Caixin China PMI Mfg	Oct	52.8	53
11/2/2020	Japan	Vehicle Sales YoY	Oct	--	-15.60%
11/2/2020	Europe	Markit Eurozone Manufacturing PMI	Oct F	54.4	54.4
11/3/2020	US	Factory Orders	Sep	1.00%	0.70%
11/3/2020	US	Factory Orders Ex Trans	Sep	0.60%	0.70%
11/3/2020	US	Durable Goods Orders	Sep F	1.90%	1.90%
11/3/2020	US	Durables Ex Transportation	Sep F	0.80%	0.80%
11/4/2020	US	Trade Balance	Sep	-\$63.9b	-\$67.1b
11/5/2020	Europe	Retail Sales MoM	Sep	-1.50%	4.40%
11/5/2020	Europe	Retail Sales YoY	Sep	2.80%	3.70%
11/5/2020	US	Initial Jobless Claims	Oct-31	735k	751k
11/5/2020	US	Continuing Claims	Oct-24	7350k	7756k
11/6/2020	Canada	Unemployment Rate	Oct	9.00%	9.00%
11/6/2020	US	Unemployment Rate	Oct	7.70%	7.90%
11/07/2020	China	Exports YoY	Oct	8.50%	9.90%
11/07/2020	China	Imports YoY	Oct	7.40%	13.20%
11/10/2020	China	PPI YoY	Oct	--	-2.10%
11/10/2020	China	CPI YoY	Oct	--	1.70%
11/12/2020	UK	GDP QoQ	3Q P	--	-19.80%
11/12/2020	UK	GDP YoY	3Q P	--	-21.50%
11/12/2020	US	Initial Jobless Claims	Nov-07	--	--
11/16/2020	China	Surveyed Jobless Rate	Oct	--	5.40%
11/18/2020	Europe	CPI MoM	Oct F	--	0.20%
11/18/2020	Europe	CPI YoY	Oct F	--	-0.30%
11/25/2020	US	GDP Annualized QoQ	3Q S	--	33.10%
11/26/2020	Japan	Machine Tool Orders YoY	Oct F	--	--
11/28/2020	UK	Nationwide House PX MoM	Nov	--	0.80%
11/28/2020	UK	Nationwide House Px NSA YoY	Nov	--	5.80%
11/30/2020	China	Composite PMI	Nov	--	55.3
11/30/2020	China	Manufacturing PMI	Nov	--	51.4
11/30/2020	China	Non-manufacturing PMI	Nov	--	56.2

News Stories Highlights

Headlines

[S&P 500, Dow Industrials Close Higher as Election Looms](#)

U.S. stocks rose Monday ahead of an election that will shape the government's response to the coronavirus pandemic and economic downturn.

[Factories Bounce Back as Consumers Snap Up Goods](#)

Factories across the globe bounced back strongly in October, as manufacturers hired more people and ramped up production of consumer goods in hot demand despite rising coronavirus infections.

[Economy Week Ahead: Election, the Fed and Employment](#)

The U.S. employment report for October caps a full week for economic and political news.

[Fed Turns Attention to Asset Purchases After Spelling Out Low-Rate Pledges](#)

Federal Reserve officials at their meeting in September reinforced Chairman Jerome Powell's statement that they weren't even "thinking about thinking about raising interest rates."

US inflation is still in the doldrums, but 10-year bond yields declined on the top.

FIGURE 1
US 10 years treasury yield



HSCEI rebounded from the bottom

FIGURE 2



SPX declined on the top.

FIGURE 3
S&P 500 Index



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